



Operating Budget & Capital Improvement Program



City of Carlsbad 2005-06 Operating Budget and Capital Improvement Program

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TABLE OF CONTENTS

Reader's Guide to the Budget.....	i
Council's Five-Year Vision Statements.....	ii
About the City of Carlsbad.....	iii
Organization Chart.....	iv

BUDGET OVERVIEW

City Manager's Transmittal Letter	A-1
2005-06 Budget Highlights.....	A-3
Budget Summary	A-20
Personnel Allocations	A-21
2003-04 Budget Calendar.....	A-23
Budget Awards.....	A-24

OPERATING BUDGET

Overview	B-1
Projected Fund Balances.....	B-16
Revenue Estimates.....	B-18
Budget Expenditure Schedule	B-25

Program Summaries

Policy & Leadership Group

Policy and Leadership Group Summary	B-29
City Council	B-30
City Clerk.....	B-32
City Treasurer	B-33
City Manager.....	B-35
Communication	B-37
City Attorney.....	B-38

Administrative Services

Administrative Services Summary	B-39
Administration	B-40
Finance	B-41
Human Resources	B-43
Records Management.....	B-45
Workers' Compensation.....	B-46
Risk Management	B-47
Health Insurance	B-48
Information Technology.....	B-49
Miscellaneous Non-Departmental	B-51

Public Safety

Public Safety Summary.....	B-52
Police Department Summary	B-53
Administration	B-55
Field Operations.....	B-56
Community Services	B-57
Canine.....	B-59

TABLE OF CONTENTS**Public Safety (continued)**

Investigations/Field Evidence.....	B-60
Vice/Narcotics	B-61
Youth/School Programs	B-62
Property and Evidence/Records	B-63
Family Services.....	B-64
Task Force	B-65
Support Operations	B-66
Communications Center.....	B-67
Disaster Preparedness.....	B-68
Various Asset Forfeiture.....	B-69
Community Oriented Policing.....	B-70
Police Grants.....	B-71
Fire Department Summary.....	B-72
Administration	B-74
Emergency Operations	B-75
Fire Prevention.....	B-76
Weed Abatement	B-77

Community Development

Community Development Summary	B-78
Administration	B-79
Land Use Planning & Planning Commission.....	B-81
Geographic Information System.....	B-83
Economic Development	B-84
Building Inspection	B-85
Housing & Redevelopment Summary	B-86
Affordable Housing.....	B-87
Rental Assistance	B-88
Community Development Block Grant	B-89
Redevelopment Operations Village Area	B-91
Low/Moderate Income Housing Village Area	B-93
Redevelopment Operations South Carlsbad Area	B-94
Low/Moderate Income Housing South Carlsbad Area	B-95

Community Services

Community Services Summary.....	B-96
Library Summary.....	B-97
Georgina Cole Library	B-98
Carlsbad City Library (Dove Library).....	B-99
Genealogy/Local History	B-101
Centro de Información.....	B-102
Technical Services	B-103
Collection Development & Acquisitions.....	B-104
Media Services.....	B-105
Adult Learning Program	B-106
Cultural Arts Summary	B-107
Arts Office	B-108
Sister City.....	B-110
Special Events	B-111
Recreation Summary	B-112
Park Planning & Recreation Management	B-114

TABLE OF CONTENTS

Community Services (continued)

Recreation Fee Supported	B-116
Recreation – Aquatics	B-118
Recreation – Agua Hedionda Lagoon Permits	B-120
Recreation Operations	B-121
Senior Programs	B-123

Public Works

Public Works Summary	B-125
Administration	B-126
Engineering	B-128
General Services Summary	B-130
Park Maintenance	B-132
Trails	B-134
Facilities Maintenance.....	B-135
Street Tree Maintenance.....	B-137
Median Maintenance.....	B-138
Lighting & Landscape District No. 2	B-139
Vehicle Maintenance.....	B-140
Vehicle Replacement	B-142
Carlsbad Golf Course.....	B-143
Street Maintenance	B-144
Traffic Signal Maintenance.....	B-146
Street Lighting	B-147
Buena Vista Channel Maintenance.....	B-148
Maintenance & Operations Summary	B-149
Water Operations	B-151
Sanitation Operations.....	B-153
Solid Waste Management	B-155
Storm Water Protection.....	B-156

CAPITAL IMPROVEMENT PROGRAM

Overview	C-1
Project Evaluation	C-2
Capital Projects --The Next Five Years.....	C-3
Capital Projects – Through Buildout	C-6
Future Growth And Development	C-7
Revenues.....	C-9
Summary.....	C-11
Growth Management Plan	C-11
Capital Funds Projected Fund Balances for FY 2004-2005.....	C-12
Capital Funds Projected Fund Balances for FY 2005-2006.....	C-13
Capital Revenues Actual and Estimated.....	C-14
Capital Funds Budget Expenditure Schedule	C-15
Detail Schedule of Capital Projects by Category FY 2005-2006 to Buildout.....	C-16
Capital Improvement Program Fund Summary	C-30
Glossary of Capital Project Funding Sources	C-44

TABLE OF CONTENTS

APPENDICES

Planned Major Capital Outlay Items 2005 – 2006	D-1
Out of State Travel Requests 2005 – 2006.....	D-2
Miscellaneous Statistical Information	D-4
Accounting Systems and Budgetary Control	D-5
Resolution Adopting the Budget	D-6
Gann Limit Resolution.....	D-11
Glossary	D-12



City of Carlsbad

Office of the City Manager

To the Honorable Mayor and City Council:

2005-06 BUDGET TRANSMITTAL

I am pleased to submit the 2005-06 Operating Budget and Capital Improvement Program for the City of Carlsbad. The combined budget totals \$247.1 million, with projected revenues of \$281.5 million. Of the total budget, \$158.4 million (64%) will be used to finance the operations of the City, while \$88.7 million (36%) will go toward the construction of capital improvements throughout Carlsbad. Our goal has been to prepare a comprehensive financial plan for all services, programs, and capital projects that will assist the Council in the achievement of its vision for Carlsbad.

The 2005-06 budget was developed this year with the emphasis on effectively managing today's resources for tomorrow. The City is approaching the build out of its remaining vacant land and, thus, will be ushering in a new era focusing on maintaining the City's infrastructure rather than building it. It requires that we provide excellent services for the developing community today but also insure that the city is poised to make the transition and address the needs of a fully built out city in the near future. The 2005-06 budget reflects the anticipation of these changes by using methods, such as temporary staffing, that fulfills the current demand while allowing for a smooth transition into a maintenance mode in the future.

Overall, the operating budget has increased 7%. The increase is predominately due to escalating personnel costs such as workers' compensation, and retirement benefits. In addition, the cost of operating and maintaining newly built facilities such as Aviara Park and the recycled water facility have added to the City's costs. The budget also includes funding for over 70 capital improvement projects with new appropriations of nearly \$90 million. Added to the work currently underway, the City's capital improvement program for the 2005-06 budget year contains over \$228 million to improve the City's roads, parks and other infrastructure.

A large portion of the capital program will go to expand the City's recreational venues with the addition of tennis courts at Poinsettia Park, a new 18-hole championship golf course, an aquatic center and additional trails. There are also several civic projects planned to begin in the next year, including the relocation of Fire Station No. 6 to a permanent location, construction of a Public Works Center and building a Library Learning Center to permanently house the Adult Learning and Centro de Información programs. Finally, the City is working on numerous road segments that will greatly enhance its transportation system as well as water projects that will insure an adequate water supply for Carlsbad's residents and businesses. The completion, in 2005-06, of the Recycled Water Facility is one example. The facility will include a four million gallons-per-day treatment plant, distribution pipelines, a flow equalization storage facility, and pump stations. A large number of the resources in the operating budget will be dedicated to meeting the development schedule for these and many other projects contained in the Capital Improvement Program.

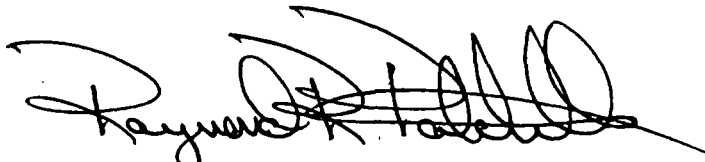


Carlsbad's economic position continues to be an enviable one. A relatively healthy local economy over the past five years provided the stimulus to attract additional revenue-generating sites to Carlsbad; adding to the City's strong revenue base. The demand for housing in the City remains high, with assessed values expected to increase by over 13% this year. Carlsbad's reputation as a tourist destination is also growing with many new hotels added in the recent past, generating over \$10 million in transient occupancy taxes.

One of the systems in place to keep the City financially strong is the Infrastructure Replacement fund. This system was set up to ensure that funds are available when needed to replace the City's streets, sidewalks, buildings and other infrastructure. The City of Carlsbad is relatively new, so it has not yet experienced the significant cost of replacing the infrastructure as it ages. We are just beginning to experience the high cost of major repairs on some of our older roads. The Infrastructure Replacement fund will be used to accumulate funds and pay for the replacement of the City's infrastructure as needed. This year's budget includes a \$4.3 million transfer for this program.

Over the City's past 50+ years, Carlsbad has continued to grow and prosper as a result of the vision and leadership of its City Council. The Council's commitment to their vision, and their willingness to provide the funding to achieve it, has resulted in a highly desirable City in which to live, work and play. The 2005-06 Operating and Capital Budgets continue to provide for a high quality of life for current citizens, as well as laying the groundwork so that future generations will also be able to enjoy the substantial benefits of our community. Continuing to balancing the desire to provide top-quality services with slowing revenue growth and higher service costs will be the City's challenge in the years to come.

I would like to express my appreciation to the City Council for providing the direction and support that are crucial to the ability of the City to achieve its goals. I would also like to recognize the contributions of City staff for not only creating a successful operating plan and Capital Improvement Program, but also for their commitment to providing top-quality services to all who live, work, and play in Carlsbad. Their efforts are critical to the City's ultimate success. I offer them my thanks for a job well done.

A handwritten signature in black ink, appearing to read 'Raymond R. Patchett', with a large, stylized flourish at the end.

RAYMOND R. PATCHETT
City Manager

READER'S GUIDE TO THE BUDGET

This budget document has been designed to provide the public concise and readable information about the City of Carlsbad's 2005-06 budget. The budget is separated into three major sections: the Overview, the Operating budget, and the Capital Improvement Program.

Overview

The beginning of the budget document contains the City Manager's transmittal letter and overview information. The overview information will provide summary data to the reader for the Operating budget and the Capital Improvement Program, as well as information on personnel allocations and debt management issues.

Operating Budget

The Operating budget section has seven tabbed sections providing a summary of the operating budget and budget information for each of the six major service areas. The summary section begins with an overview of the revenue assumptions and the policies used to develop the budget. The overview is followed by tables providing detailed information on fund balances, expenditures, and revenues. The following sections are separated by major service areas, which are Policy and Leadership Group, Administrative Services, Public Safety, Community Services, Community Development, and Public Works. Within these broad categories, the budget is organized on a departmental basis. Summaries, financial and descriptive, are included for department groups containing more than one program. The summary page is followed by detailed program information. Some departments consist of one program only, and thus only one page is included for them. For each program, a financial history and the 2005-06 budget figures are presented. Also included are narrative statements describing program activities, associated workload measures or performance objectives, key achievements for 2004-05, and key goals for 2005-06.

Capital Improvement Program

The Capital Improvement Program (CIP) is located in the back of the budget document. An overview of the CIP provides general information about the process used in preparing the budget for capital projects and describes how development information is used to project future revenues that fund these projects. In addition, major CIP projects are highlighted and discussed. The next section contains summary revenue and expenditure tables by funding source and a detailed project expenditure schedule listing the cost and timing of each future and current CIP project. Following this schedule are fund summary pages, which list the revenues and detail expenditures by fund, thus providing cash flow information and annual projected fund balances for each Capital Improvement Program fund.

Appendices

The Appendices contain a detailed listing of the 2005-06 Planned Major Capital Outlay items by department. An Out-of-State Travel Detail is presented next, so that Council may review and approve these requests. The last section of the Appendices provides information on the Gann Limit, budget process, accounting system and budgetary control, the adopted Resolution for the budget, and a glossary.



Carlsbad City Council
2005
Five-Year Vision Statements



City Council continues to clarify and pursue the vision of Carlsbad that reflects the pride and quality of life for all who live, work, and play here.

Carlsbad . . .

- Provides a diverse and healthy economic base that creates opportunities for employment to the residents of Carlsbad, economic vitality to the community, and the necessary revenues to support City services.
- Provides programs, policies and decisions to implement the General Plan, enforce the Growth Management Plan, maintain the safety and security of its citizens, and are based on what is best for Carlsbad.
- Occupies a leadership role in local and regional planning, (e.g., water, beach, circulation, and environmental issues) important to local governments actively involves addressing governmental issues at the local, state and national levels.
- Provides an open government leading to the betterment of the community and encourages in a non-partisan manner active citizen participation and involvement with the City Council and the City's Boards and Commissions.

And Carlsbad Efficiently and Effectively...

- Delivers top-quality public services.
- Manages its environment proactively, including:
 - ◇ Open space
 - ◇ Wildlife habitats
 - ◇ Water quality/conservation
 - ◇ Beach preservation
 - ◇ Air quality
 - ◇ Resource conservation and waste reduction
- Promotes a safe and efficient integrated transportation system.
- Maintains citywide "small town" community spirit.
- Provides a community where continuous and life-long learning is supported and encouraged for people of all ages.
- Looks ahead and works to anticipate changes that are required now in order to make a better future for its citizens.

ABOUT THE CITY OF CARLSBAD

The City of Carlsbad is a unique coastal community located 35 miles north of the City of San Diego and surrounded by mountains, lagoons, and the Pacific Ocean. The City is governed by a five-member City Council under the Council/Manager form of government. Although the “village” dates back more than 100 years, Carlsbad incorporated in 1952 as a General Law city. Currently, the City is over two-thirds developed and is expected to grow from a population of 95,146 to 117,000 once its 42 square miles are built out. Industries in the area include a major regional shopping center; a specialty outlet center; 21 auto dealers; 33 hotels offering 3,500 rooms for tourist lodging; high technology, multimedia and biomedical businesses; electronics, golf apparel and equipment manufacturers; several business and light industry parks; and numerous land developers building single and multi-family housing in a variety of community settings.



The City provides the full range of services normally associated with a municipality including police, fire, parks and recreation, library, planning and zoning, building and engineering, various maintenance services, and administration. The City provides water services through the Carlsbad Municipal Water District, a subsidiary district of the City. The City Council serves as the Board of Directors for the Carlsbad Municipal Water District. Solid waste collection is provided through a franchise agreement with a local refuse collection service.

In addition to the usual City services, Carlsbad offers a wide variety of programs to help local residents and businesses. The City has a Redevelopment Agency with two active areas: the Village Redevelopment area that encompasses 0.4 square miles of the downtown area; and the South Carlsbad Coastal Redevelopment area, which is just south of the Village Redevelopment area and fronts the Pacific Ocean. In addition to the redevelopment project areas, the agency operates a housing authority that provides housing assistance to 666 low-income families. The City's literacy program, funded by the General fund, provides adult education to local area residents. Older Carlsbad residents receive assistance through the City's senior citizen programs. The City also provides major support for the Convention and Visitors' Bureau and the hiring center.

School programs and facilities are provided by four different school districts located within the City boundaries. The City Council has no direct control over these school districts; however, the Council recognizes the importance of quality school facilities and programs to Carlsbad's residents. Thus, the Council and staff work with the school districts on a regular basis.



CITY OF CARLSBAD ORGANIZATION CHART



ELECTORATE

CITY CLERK

**MAYOR
&
COUNCIL**

**CITY
TREASURER**

CITY MANAGER

CITY ATTORNEY

**PUBLIC
SAFETY**

FIRE

POLICE

**ADMINISTRATIVE
SERVICES**

FINANCE

**HUMAN
RESOURCES**

**INFORMATION
TECHNOLOGY**

**RISK
MANAGEMENT**

**RECORDS
MANAGEMENT**

**PUBLIC
WORKS**

ADMINISTRATION

**ENGINEERING
SERVICES**

**GENERAL
SERVICES**

**MAINTENANCE &
OPERATIONS**

**COMMUNITY
DEVELOPMENT**

BUILDING

**ECONOMIC
DEVELOPMENT**

**GEOGRAPHIC
INFO SYSTEMS**

**HOUSING AND
REDEVELOPMENT**

PLANNING

**COMMUNITY
SERVICES**

ARTS

LIBRARY

RECREATION

**SENIOR
CENTER**

**Arts
Commission**

**Sister City
Committee**

**Historic
Preservation
Commission**

**Library Board
of
Trustees**

**Serra Cooperative
Library System
Advisory Board**

**Parks & Rec
Commission**

**Senior
Commission**

**Personnel
Board**

**Design
Review
Board**

**Beach
Preservation
Committee**

**Housing
Commission**

**Community
Television
Foundation**

**Housing &
Redevelopment
Commission**

**Traffic
Safety
Commission**

**Planning
Commission**

**Underground
Utility Advisory
Committee**

KEY

Elected

Council Appointed

Staff Support

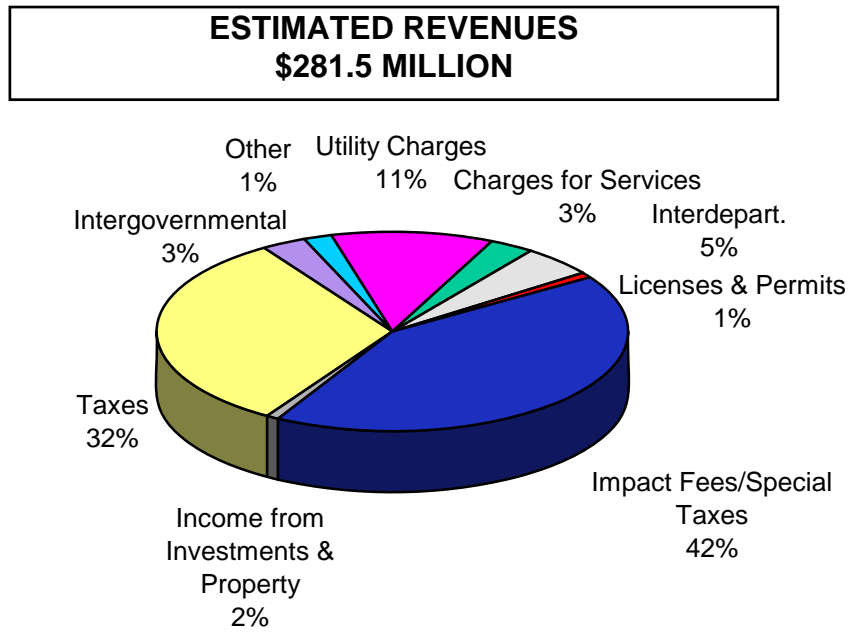
Reporting Relationship

Programs

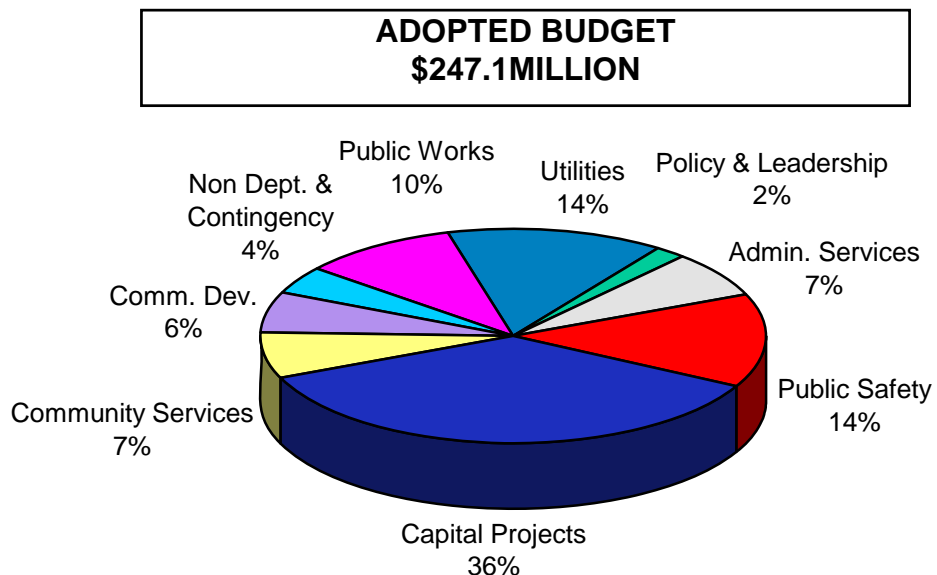


CITY OF CARLSBAD BUDGET HIGHLIGHTS FISCAL YEAR 2005-06

WHERE THE MONEY COMES FROM...



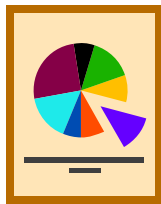
WHERE THE MONEY GOES...



The 2005-06 budget for all City funds totals \$247.1 million, with total revenues estimated at \$281.5 million. The City's fiscal year runs from July 1 to June 30. The difference between the estimated revenues and the adopted budget will increase the available cash on hand (fund balances).

CITY OF CARLSBAD BUDGET HIGHLIGHTS

The City's budget is comprised of two pieces; the operating budget and the capital improvement program budget (CIP). The CIP provides the funds to build the parks, roads, buildings, and other infrastructure of the City while the operating budget provides the money to staff them and operate them. The operating budget totals \$158.4 million and is expected to generate \$162.4 million in revenues. The CIP contains the current year budget allocation of \$88.7 million and outlines approximately 154 future projects at a total cost of \$445.3 million through buildout of the City. Capital revenues for the 2005-06 fiscal year are estimated at \$119.1 million. The capital projects include parks, civic facilities, as well as all infrastructure needs anticipated for the future that are not expected to be constructed by developers.



The budget overview on the following pages will provide the reader with a good understanding of the budget process and the economic profile of the City as well as with a broad overview of the services and projects planned for the 2005-06 fiscal year. This section also addresses debt management, including a schedule of the outstanding bond issues. More detail on the City's numerous programs and projects can be found throughout the remainder of the document.

BUDGET PROCESS

The budget process for the City of Carlsbad begins in January each year, with a review and update of the City Council's five-year vision statements. These statements are shown earlier in this document. Through the vision statements, Council defines and clarifies their vision of Carlsbad. The strategic goals for the City are developed next. The goals further define the methods used to achieve the vision and call out areas in which Council would like to place special emphasis during the year. Once these are developed, staff develops operational goals based on Council's direction. These operational goals are the basis for the development of the operating budget.

City of Carlsbad 2005-06 Strategic Goals

BALANCED COMMUNITY DEVELOPMENT -- A city that connects community, place and spirit, through balanced and economically sustainable land uses.

CITIZEN CONNECTION & PARTNERSHIP -- A city that embraces Community connectivity through the effective use of technological and interpersonal mediums.

COMMUNICATION -- Ensure that community members, Council and staff are well informed, continuing to be a more responsive government while providing a high level of citizen confidence in its government.

ENVIRONMENTAL MANAGEMENT -- An environmentally sensitive community by focusing on: conservation, storm water, sewage collection and treatment, solid waste, and cost effective and efficient use of energy including alternative energy sources.

FINANCIAL HEALTH -- Pursue and implement proactive strategies that support sustainable economic health and manage fiscal resources effectively.

LEARNING, CULTURE & ARTS -- Promote and support continuous learning, cultural opportunities and the arts within the community and the City organization.

PARKS / OPEN SPACE / TRAILS -- Acquire, develop and maintain a broad range of open space and recreational facilities that actively address citizen needs which are fiscally responsible, and are consistent with the General Plan and Growth Management Standards.

TOP QUALITY SERVICES -- A city that provides exceptional services on a daily basis.

TRANSPORTATION / CIRCULATION -- Provide and support a safe and efficient transportation system that moves people, services and goods throughout Carlsbad.

WATER -- Ensure, in the most cost-effective manner, water quality and reliability to the maximum extent practical, to deliver high quality potable and reclaimed water incorporating drought-resistant community principles.

Carlsbad's operating budget is a tool that guides the achievement of Council's vision and goals for the City. It allocates the resources and sets the priorities for all of the programs offered by the City. Thus, it is an integral part of making Carlsbad a wonderful community in which to live, work, and play.

ECONOMIC PROFILE

The **US economy** has experienced steady growth over the past several years, slowing slightly in the more recent quarters. According to preliminary estimates released by the Bureau of Economic Analysis, real gross domestic product -- the output of goods and services produced by labor and property located in the United States --



increased at an annual rate of 3.5 percent in the first quarter of 2005. In the fourth quarter, real GDP increased 3.8 percent. The major contributors to the increase in real GDP in the first quarter were personal consumption expenditures (PCE), private inventory investment, exports, residential fixed investment, and equipment and software.

Despite the steady growth in GDP, UCLA Anderson Forecast Director Edward Leamer stated in his March 2005 report "that historically economic expansions have not lasted very long, with five of the last nine lasting only 14 quarters or less." The current expansion is 12 quarters old right now and he sees no growth spurt on the horizon that will extend it much further.

The UCLA forecast goes on to say that "Leamer sees no clear stimuli on the horizon in 2005, ruling out both tax cuts (which have already occurred) and monetary stimulus (which has also occurred through low interest rates). An increase in government spending is doubtful (unless it is wartime spending), leaving only exports as a possible ray of hope. Exports were a major factor in the length of the Reagan expansion, and the declining dollar vs. the Euro should stimulate this sector. Leamer concludes with the assertion that a recession is in the future; he just doesn't know when yet. He doesn't see it in 2005, but believes it could happen in 2006."

California's economy has shown growth over the past year; however the picture varies dramatically between metropolitan areas. "Instead of a tale of two cities, you've got a tale of three regions," said Michael Bazdarich, research director at the Anderson Forecast at the University of California Los Angeles. "The Bay Area in the dumps, Los Angeles is coming back after a weak finish last year, and Southern California outside of Los Angeles is doing fine."

According to the UCLA forecast, personal income in California grew by 5.7% in 2004, compared to 3.1% in the previous year and taxable sales were 5.4% higher compared to 3.2% growth in 2003. Of course, some of the reason for the low numbers in 2003 was the effect of one of the worst regional downturns ever in the San Francisco Bay Area. On average, according to Anderson's figures, California is doing about as well as the rest of the nation, with job growth averaging an annualized 1 percent since the beginning of the year. Some of the biggest concerns for California's future economy, according to the UCLA forecasters, is the effect that the housing market could have.

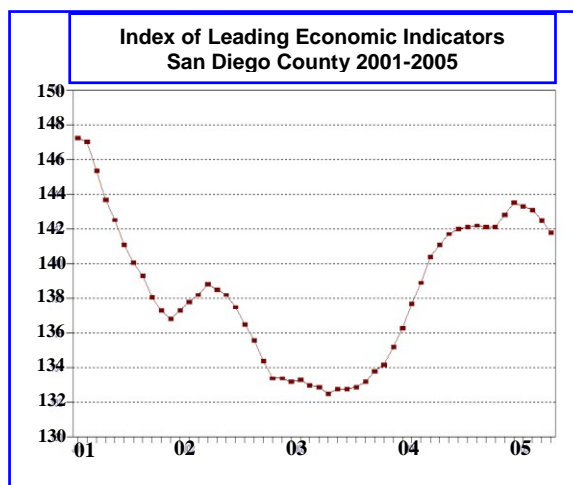
The median price of a home in California increased from \$225,000 in 2001 to \$400,000 today. That is an increase in value of somewhere around \$1.66 trillion, essentially giving Californians a

CITY OF CARLSBAD BUDGET HIGHLIGHTS

30%+ boost to their annual incomes. Also, approximately half of the new private sector jobs added in the past two years have been created by the residential housing sector. UCLA Forecast expects that the real estate market will begin to cool in 2005 and with it one of the primary drivers of the current economic expansion of the state. They believe “that, at best, the state economy can be expected to maintain slow growth over the next few years as the weak housing sector saps off strength created in other parts of the state’s recovering external economy.”

Locally, the **San Diego economy** seems to be holding its own. The region added 4,700 jobs in April 2005 for a growth of 1.9%, however; most of them were in the low-paying sectors such as hospitality and leisure. Alan Gin, economist at the University of San Diego (USD), said he is increasingly concerned about the concentration of employment in construction and real estate-related jobs. Although he does not see a recession in San Diego’s future, if there was a decline in the construction industry, it could have a significant effect on the region’s job market. He also added that he is concerned about the concentration of jobs in the relatively low-paying occupations, such as restaurants and hotels.

USD tracks the San Diego economy through its Index of Leading Economic Indicators. The USD index tracks six items to evaluate growth trends in the San Diego economy: unemployment filings, want ads, local stock prices, consumer confidence, building permits and the strength of the national economy. The index declined in April by .5%, which makes the fourth consecutive decline in the index. It was led by a sharp drop in consumer confidence. Four of the other components—building permits, initial claims for unemployment insurance, local stock prices, and the outlook for the national economy--were down by small to moderate amounts. Only one component, help wanted advertising, was positive, but only by a small amount. USD has indicated, “the breadth of the decline continues to be broad. For the third straight month, five of the six components were negative. Although a downturn in the local economy is unlikely in 2005, the outlook is for a weakening to occur in the second half of the year. Job growth will remain positive, but the local unemployment rate is likely to rise by the end of the year.” Other factors contributing to the weakening outlook is the high price of gasoline and the uncertainties caused by the fiscal crisis in the City of San Diego.

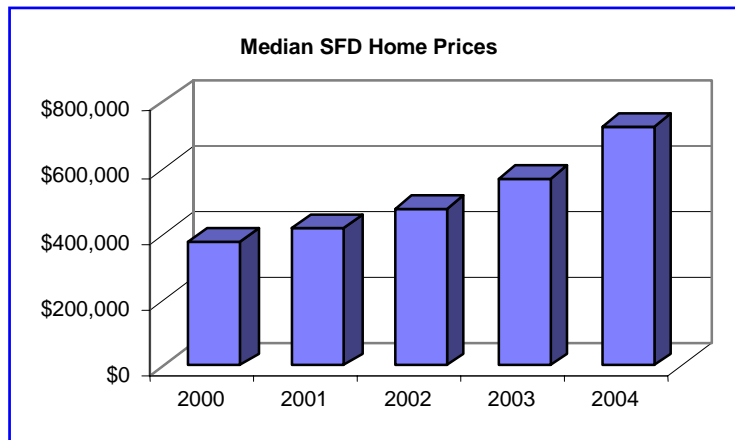


Carlsbad’s economy is tied closely to that of the San Diego region, although development patterns may differ. Carlsbad experienced strong growth in the past year in property and sales taxes as well as Transient Occupancy Taxes (TOT). Property taxes are expected to grow by over 10% reflecting the continuing escalation in housing prices as well as new development. Sales taxes should add an additional \$1 million for FY 2004-05 due to good consumer demand but also new sites in the City such as The Forum, a new retail center in southern Carlsbad. Transient Occupancy Taxes, the City’s gauge of the tourism industry, are expected to end the year showing a 12% gain with a large part of that coming from the reopening of one of Carlsbad’s premiere resorts.

Carlsbad’s residential real estate market has continued strong throughout the year. The City expects to issue 1,350 residential permits this year, slightly higher than the 1,276 in the previous year. The impediment to higher development is mainly due to the lack of supply rather than a lack of demand. There are a number of new residential communities under construction or in

CITY OF CARLSBAD BUDGET HIGHLIGHTS

the final phases of development that will add significantly to the residential housing stock in Carlsbad. Home sales are under way in the Calavera Hills project in northeast Carlsbad, with 331 single-family homes and 358 multi-family units planned. The Villages of La Costa projects known as the Oaks, the Greens and the Ridge are under construction and will add approximately 1,700 single-family and 550 multi-family units. The Bressi Ranch area is also under construction with 523 single-family and 100 multi-family units to be developed. And finally, the Robertson Ranch area, which is expected to contain over 1,000 residential units, is finishing up its master plan. The completion of these master planned communities will signal an end to the large-scale residential developments in Carlsbad.



With supply relatively low, housing prices have continued to escalate. The median price for single-family homes in Carlsbad was \$725,000 for calendar year 2004, a 22% increase from the previous year. Total assessed values in the City stand at close to \$16 billion; double what they were just five years ago. With the new developments mentioned earlier starting to sell this year, the City has projected it will add about 3,300 more residential units and an additional 4.5 million square feet of

commercial/industrial development over the next five years. The City's residential housing stock is about 88% built out, with approximately 5,700 housing units remaining to develop.

Commercial and industrial development has been sluggish in the past few years, adding well under a million square feet per year. This is expected to pick up over the next five years to average 900,000 square feet per year. Some of the major businesses in town include the Gemological Institute of America, ViaSat, Invitrogen, Callaway, Taylor Made, Upper Deck, and many others.

Commercial development has brought much needed entertainment and shopping venues to citizens and visitors alike, as well as generating additional sales taxes to help pay for City services. Carlsbad is home to Car Country Carlsbad – an auto mall; the Carlsbad Premium Outlets – a specialty outlet center; Plaza Camino Real – a regional shopping mall; a Costco center; and the most recent addition; the Forum at Carlsbad - a commercial center with retail shops, restaurants and other commercial uses.

Development has also enhanced Carlsbad's reputation as a destination resort for tourism. The City is host to a major family theme park: Legoland, and has two luxury resorts available for its visitors: the Four Seasons Resort at Aviara and the La Costa Resort & Spa. There are also a number of other quality hotels and motels in the City with the most recent addition being the Extended Stay America, which opened in fall 2002 bringing the total available hotel rooms in the City to about 3,500.

For the future, there are several new tourist-serving projects in development. An 86-room hotel is under construction expecting to open in 2005-06. The La Costa Resort recently received approval to develop up to 197 commercial resort villas on their site. These are expected to be phased in over the next several years adding over \$1.5 million in TOT when completed. In addition, a new project next to Legoland has been approved for 350 hotel rooms and 350 timeshare units. This project will also be phased in over time and is expected to generate an additional \$2 million per year in TOT.

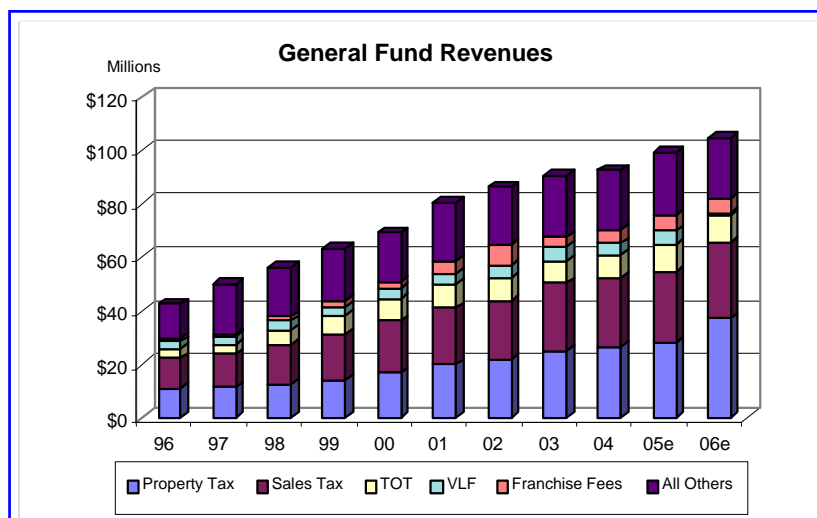
It is the Council's goal to ensure that the City remains in good financial health, and there are a number of steps the City has taken to attain that goal. One of these is the Growth Management

CITY OF CARLSBAD BUDGET HIGHLIGHTS

Plan. This plan was adopted by the citizens to ensure that all necessary public facilities were constructed along with development. It also ensures that a financing plan is in place to pay for the facilities prior to the development of the property.

In addition to the Growth Management Plan, the City also prepares a long-term financial model for both the capital and operating needs of the City. With a growing city such as Carlsbad, it is imperative that we plan for the impacts of serving new development and operating new public facilities, as well as planning for the capital needed to build them. Thus, the City prepares a ten-year operating forecast for the General fund, and a 20+ year Capital Improvement Program. As part of the Capital Improvement Program, the City annually calculates the amounts needed to pay for the various projects and calculates the anticipated operating budget impacts. In this way, we can anticipate the effects of development from both a capital and an operating perspective.

One of the newer initiatives the City has undertaken to ensure its financial health is the development of an Infrastructure Replacement fund. With this fund, the City has begun to set aside money on an annual basis for major maintenance and replacement of its infrastructure. Much of the City's infrastructure is relatively new; thus, the City has not felt the full impact of maintenance. By setting aside funds now, the citizens of Carlsbad can be assured that the proper maintenance and replacement, when needed, will be performed on streets, parks, and many facilities for which the City is responsible.



Carlsbad's current economic position is an enviable one. A relatively healthy local economy over the past ten years provided additional revenue-generating sites that allow the City to continue to add new facilities and services for the citizens. The City hosts three regional shopping areas within its boundaries: a large regional mall, an outlet center and, the latest development, a high-end retail center in the southern part of town called The Forum. Together, these

sites contribute approximately \$4 million annually to the City's sales taxes. The City's Auto Mall generates another \$6.5 million per year in sales taxes for the City. Legoland, a family theme park, contributes to the City's sales tax base as well as stimulating the development of new hotels in the area. The effect of the new development and the demand for housing in Carlsbad is an increasing tax base. The five major revenue sources for the City: property taxes, sales taxes, transient occupancy taxes (TOT), franchise taxes, and vehicle license fees, are expected to provide \$75.4 million, or 77%, of the City's General fund revenues in 2005. These taxes and fees are the major source of funding for most of the City's services and allow the City to live up to its reputation as one of the premier locations in San Diego County.

For fiscal year 2005-06, the City's revenue projections reflect continued growth in sales taxes of about 5.5% plus additional amounts due to new retail sites opening in the next year. The growth in housing prices is expected to moderate as interest rates rise with assessed values increasing 11.6% according to the County Assessor. New building permits are predicted to slow slightly as new housing developments come on line but absorption rates drag out. And finally, tourism is expected to continue strong, with TOT receipts surpassing 2001's level by the end of

CITY OF CARLSBAD BUDGET HIGHLIGHTS

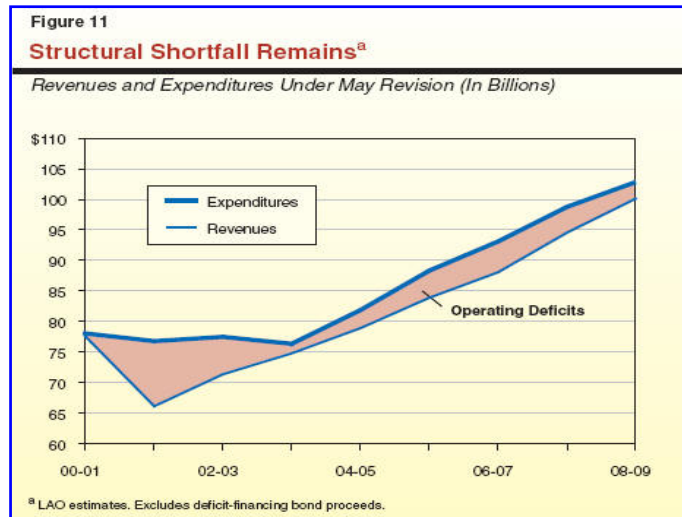
2005 and growing in the future with the addition of more available rooms. More information on all of the City's revenues and programs can be found in the later sections of this document.



In addition to the risk of a housing bubble burst or a slow down in the economy, the state of California's fiscal problems also cast a shadow on the City's economic future. The state of California has been in a severe fiscal crisis for a number of years. Through a variety of loans, one-time revenues, interfund borrowings and raids on city, county and special district funds, it has been able to manage its cash flows and stay solvent. However, more drastic measures will be needed for the State to finally get its budget in balance.

LAO Forecast for State of California

According to the Legislative Analyst's Office (LAO), the State is facing significant deficits in future years despite the stronger revenues seen in the past few months. The LAO's report states that while the Governor's budget proposal for 2005-06 would balance the budget for the next two years, a \$3 to 4 billion shortfall will still exist in future years. The ongoing budget shortfalls result from the high reliance in the near term on one-time savings and loans that will need to be repaid in the future. The State has balanced its budget by taking city money in the past and the risk is that they may find a way to make it happen again.



In fiscal year 2004, the State took approximately \$1.5 million in Vehicle License Fees from the City's General fund with the promise to pay it back in the future. Then, November 2003, a ballot measure was passed authorizing what is known as the "Triple Flip". This is a complicated method of securing payment for the Deficit Reduction Bonds, issued by the State to balance their budget. It is essentially a temporary swap of a ¼ cent of the cities' sales tax in return for property tax. It should have no effect on the amount of tax revenues the cities receive but it will result in the loss of some interest earnings due to the delay in the timing of the receipt of the taxes.

As a result of the continued attacks on cities revenues, a coalition of cities, counties and special districts got a measure placed on the November 2004 ballot to put some protections in place for local governments. The measure included the following provisions:

- Permanently reducing the vehicle license fee (VLF) rate to its current .65% and provide property taxes to cities and counties to offset the loss on a dollar for dollar basis.
- Guarantees repayment in fiscal year '07 of the of VLF amounts taken by the State.
- Guarantees that the "Triple Flip" will be reversed when the bonds are repaid.
- Prevents the Legislature from reducing the combined property tax shares of cities, special districts, and the county, except to borrow the funds on a temporary basis to address a "severe state fiscal hardship".
- Provides for mandate relief if the State does not pay the mandated costs.

All of this in return for a contribution to the State totaling \$1.3 billion in both the '05 and '06 fiscal years from cities, counties and special districts.

The measure passed and as a result, the city of Carlsbad will give the State \$1.8 million from the General fund and \$220,000 from its Redevelopment Agency in fiscal years 2004-05 and 2005-06. However, in exchange for this 2-year "contribution" to the State, the cities have gained protection from further raids on their major tax revenues by the State.

CITY OF CARLSBAD BUDGET HIGHLIGHTS

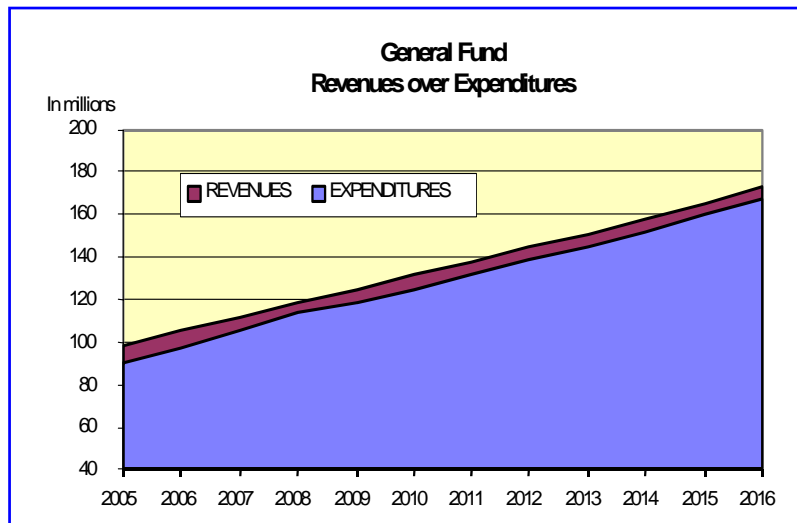
Looking Forward

As stated earlier in this document, the City prepares ten-year forecasts for the General fund each year in order to understand the effects of actions taken today on the City's future. The City has experienced remarkable revenue growth over the past ten years due to the development of the majority of its commercial sites. The future will bring a few more commercial sites but at a slower pace, while residential development will continue for a number of years. There are also quite a few City facilities – mainly parks and civic facilities – planned in the future to serve the growing population. The new facilities will add operating costs to the City's General fund budget as they are completed and opened for use.

These factors alone will cause the General fund costs to escalate at a higher rate than inflation. In addition, a number of other factors – mainly rising retirement and health care costs – have created upward pressure on expenditures, especially over the past several years. These factors have been incorporated into the General fund forecast shown below and projected over the next ten years. While no forecast is ever totally accurate, it does represent a likely scenario given the assumptions on which it is built.

This forecast assumes that revenue growth will continue at a moderate pace in 2006 and into the future. To project the expenditures, it includes all known personnel costs, most of which have been negotiated with the employee groups. The City has multi-year agreements with all the major employee groups so the effects can be projected fairly accurately for the next several years.

The forecast assumes 15% increases in health care costs in the near future, slowing to 5% in the future. It also assumes personnel growth (new positions) to remain rather flat at no more than 2% per year. Cost of living increases between 3 and 5% have been added to personnel costs. Pension plan costs are anticipated to remain essentially at current levels. And finally, it includes estimated operating costs for all capital projects in the



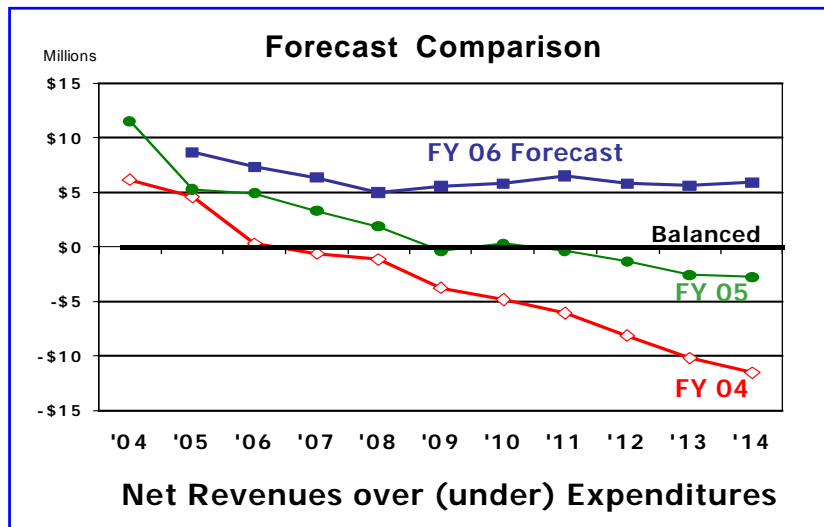
timeframes shown in the Capital Improvement Program (CIP). One of the biggest assumptions in the forecast is that services remain the same. No new services have been anticipated although, growth in current services to match the growing population has been incorporated.

The results show that the General fund is balanced into the future with a slight surplus in each year of less than 5%. This achieves the goal set out by Council to maintain a balanced budget.

The situation was different just a couple of years ago when the forecast projected that the City was headed for deficits unless corrective measures were taken. For the past two years, Council and staff have worked to bring the forecast back into balance. Through a combination of enhancing revenue sources and finding more efficient methods of providing services (and with the help of a strong local economy), the City was able to turn the forecast around from heading into deficits to a healthy balance.

CITY OF CARLSBAD BUDGET HIGHLIGHTS

One of the more significant revenue enhancements that occurred over the past year was the passage of the reauthorization of Transnet revenues. Transnet is a ¼ cent additional sales tax collected countywide and used to improve the transportation systems. The current authorization for the sales tax was to end in 2008. SANDAG, the San Diego Association of Governments, placed a measure on the November 2004 ballot to reauthorize the sales tax for another 40 years. The measure passed providing the City over \$1.5 million in annual taxes to be spent on street repair, maintenance and construction, in addition to other potential project funds.

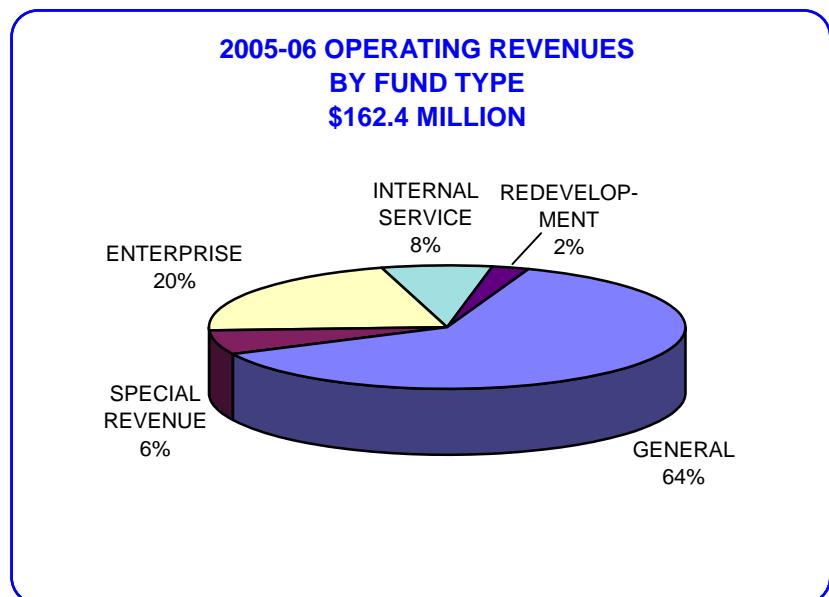


The ability to understand the future impacts of both changes in revenue sources as well as program needs is crucial to ensure that the City has the funds available to make its future plans come true. The General fund forecast is a tool available to the City to achieve the goal of managing its fiscal resources effectively and monitoring the achievement of sustainable economic health for the City of Carlsbad.

OPERATING BUDGET

Revenue Projections by Fund

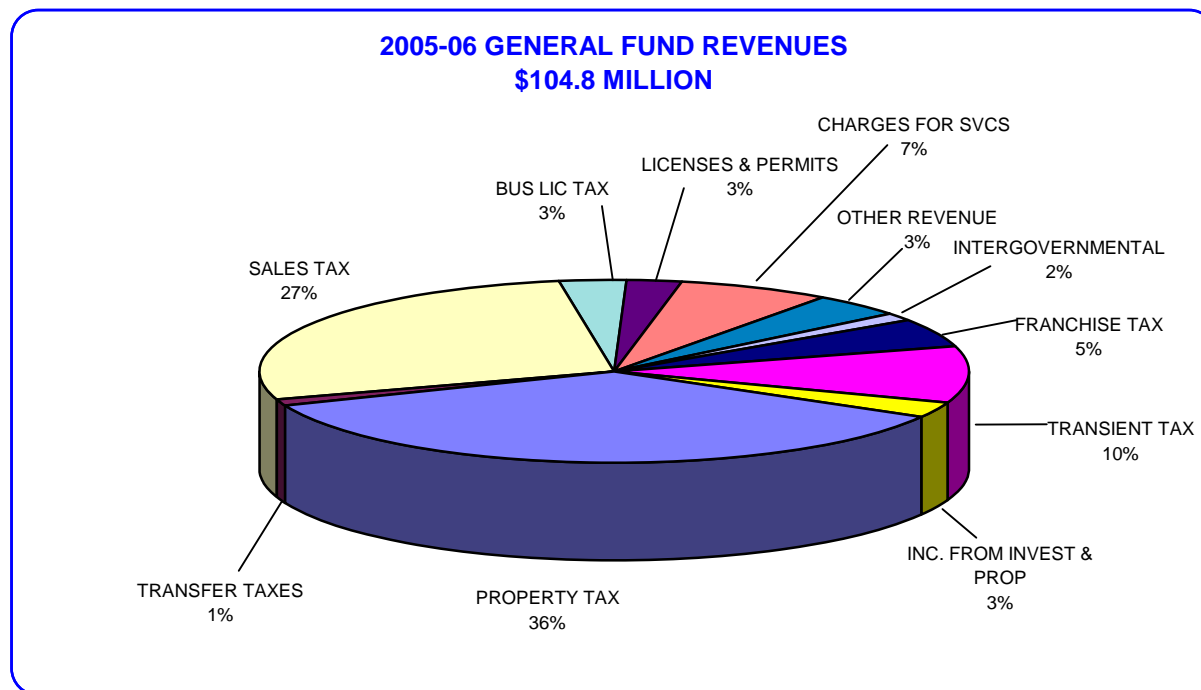
The City's operations are divided into various funds. Each fund has been established because of certain restrictions placed on the use of the resources received by that fund. Any unrestricted funds are placed in the General fund. Estimated revenues for the City's five fund types are shown on the accompanying graph.



CITY OF CARLSBAD BUDGET HIGHLIGHTS

General Fund

The fund receiving the largest slice of the revenues is the General fund, with estimated revenues of \$104.8 million. The General fund pays for most of the City services available to City residents. The majority of the General fund revenues (82%) are derived from taxes. The graph below illustrates the sources of revenue to the General fund.



Property taxes, at \$37.3 million, are the largest General fund revenue. The City receives only about 9% of the property taxes paid by its citizens. The remainder of the tax goes to the school districts, the State, and other various agencies.

Sales tax is the second largest source of revenue for the General fund. Sales taxes are estimated to bring in \$28.7 million for the 2005-06 fiscal year. Automobile and department store sales are the most significant contributors to the category of sales tax.

Transient occupancy taxes (hotel taxes) are estimated at \$10.3 million and are the third largest revenue source for the City. Franchise taxes, transfer taxes, and business license taxes make up the remaining \$9.7 million in tax revenues collected by the City.

Intergovernmental revenues are revenues collected by the State and other governmental agencies and allocated to the City based on a formula. Examples of intergovernmental revenues include motor vehicle license fees, State mandated cost reimbursements, and homeowner's exemptions. Intergovernmental revenues are estimated at \$1.6 million for the upcoming year.

Licenses and permits account for \$2.8 million of the General fund revenues and include building permits and other development-related permits. Charges for services are estimated to be \$7.1 million and include fees for engineering, planning, building, recreation, and ambulance services.

Other revenue sources include charges collected from other departments, fines and forfeitures, and miscellaneous revenues. Those sources total \$4.3 million. Income from investments and property are estimated at \$3.0 million, or 3%, of the total revenues.

CITY OF CARLSBAD BUDGET HIGHLIGHTS

Special Revenue Funds

Revenues from Special Revenue funds are estimated at \$9.4 million for 2005-06. Funds collected in this category are legally restricted to specified purposes. Examples of funding resources include donations, grants, and special assessments. The types of functions supported with Special Revenue funds include programs such as Section 8 Housing Assistance, Housing Trust fund, Community Development Block Grants (CDBG), and maintenance and assessment districts.

Enterprise Funds

Enterprise fund revenues make up the second largest revenue group, totaling \$33.4 million. Enterprise funds operate similar to a business in that they charge fees to cover the cost of their services. Examples of the City's enterprises include water and sanitation services and solid waste management.

Internal Service Funds

Internal Service fund revenues, projected to be \$12.3 million, are derived from charges to the City programs that benefit from the services rendered. The funds collected must be used specifically to support the internal service. Examples of the City's Internal Service funds include Liability, Health Insurance, Information Technology, Workers' Compensation, and Vehicle Maintenance and Replacement.

Redevelopment Agency

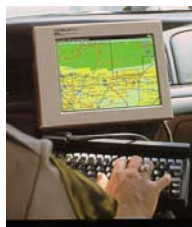
Redevelopment Agency revenues, estimated at \$2.5 million, come mainly from property taxes collected within the redevelopment area. Carlsbad has two redevelopment areas. The original area consists of 204 acres located in the downtown "Village Area" of the City. The second area encompasses the land on which the Encina power plant is located as well as additional parcels south of the plant. Funds collected within the redevelopment areas must be used to repay the debt incurred and administration of the Agency.

Operating Budget by Program

The total operating budget for the City equals \$158.4 million, which is 7.3% more than the 2004-05 adopted budget. The operating budget is categorized by major service area (MSA). Five MSAs that represent the key businesses of the City have been identified. The graph on the next page shows the operating budget for each of the MSAs.

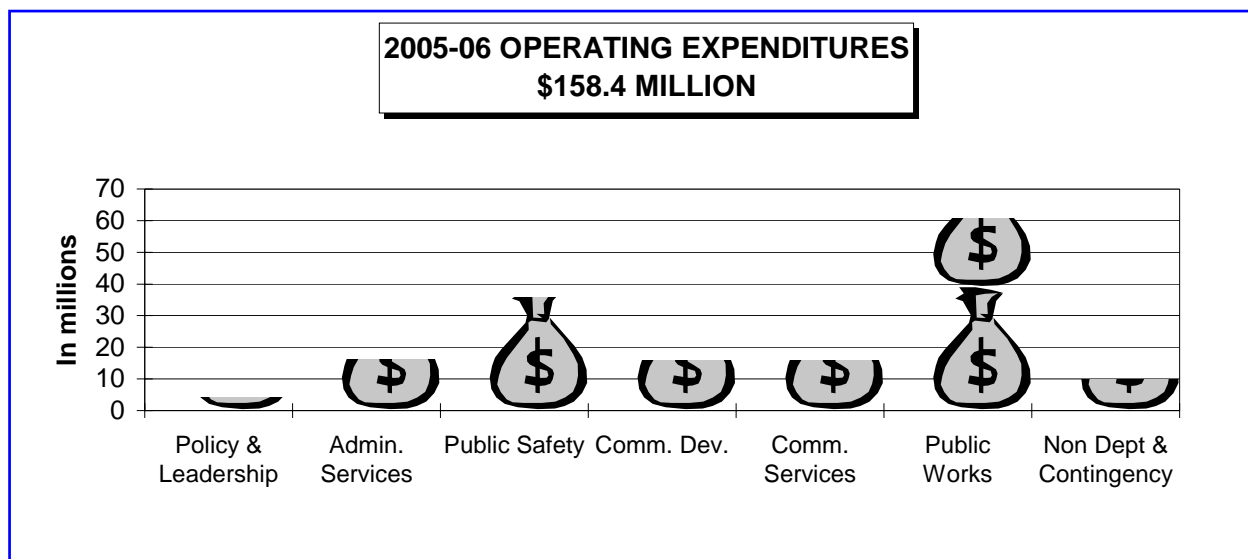
Total funding allocated for the Policy and Leadership Group for 2005-06 is \$4.1 million. This MSA encompasses all elected officials and the chief executive offices for the City. These include the offices of City Council, City Manager, Communication, City Clerk, City Attorney, and City Treasurer.

The Administrative Services MSA, with a budget of \$16.3 million, includes finance, records management, human resources, purchasing, information technology, health insurance, risk management, and workers' compensation. These areas mainly provide services to internal City departments.



Public Safety services are funded at \$35.7 million and include all of the police and fire programs such as police patrol, vice/narcotics, juvenile diversion and DARE programs, fire prevention, emergency operations, and disaster preparedness. The implementation of the Computer-Aided Dispatch system will continue into the next fiscal year which will allow for mobile computing, mapping and automatic vehicle location.

CITY OF CARLSBAD BUDGET HIGHLIGHTS



Community Development, with a budget of \$15.8 million, provides the services that guide and oversee the planning and development of Carlsbad as depicted in the City's General Plan. The General Plan is the base document that expresses the goals and public policy relative to future land use. It acts as a "constitution" for development and is the foundation upon which all land use decisions are based. Also included under Community Development are the housing and redevelopment programs.

Community Services, with a budget of \$16 million, is made up of the library, recreation, cultural arts, and seniors programs. These programs are provided to a wide range of people and assist in their education and cultural development. The on-line registration system will be implemented this next year for all the recreation classes.



The service area requiring the largest amount of funds is Public Works, with a budget of \$60.6 million. Public Works is responsible for the building and maintenance of all of the City's infrastructure and facilities and for the provision of utility services. It is comprised of the engineering, parks, streets, facilities, fleet, water, and sewer departments.



The Non-Departmental and Contingency accounts total \$9.9 million and include programs benefiting the City as a whole such as community promotions, community contributions, assessment services, transfers to other funds, and Council's contingency account. Included in the non-departmental group is a \$4.3 million transfer to the Infrastructure Replacement fund. This program sets aside funds for the replacement of the City's base infrastructure. The contingency account, which is available to Council for emergencies and unforeseen program needs that arise during the year, is budgeted at \$2.3 million. This is the same as the amount adopted in the 2004-05 budget. In total, the contingency account amounts to 2.4% of the General fund budget.

CAPITAL IMPROVEMENT PROGRAM

The City of Carlsbad's Capital Improvement Program (CIP) is a long-range planning document, which outlines the expenditure plan for current and future capital projects and the corresponding revenues to pay for those expenditures. Projects in the CIP consist primarily of new construction or major maintenance and replacement of City facilities such as parks, roads, civic facilities such as libraries, police and fire stations, and sewer, water, and drainage facilities. The Capital Improvement Program for 2005-06 totals \$88.7 million in new appropriations and an estimated \$139.4 million in continuing appropriations. Some of the notable capital projects that will be worked on next year include the following:

CITY OF CARLSBAD BUDGET HIGHLIGHTS

Park Development

- The **Alga Norte Park and Aquatic Center** consists of 30 acres in the Southeast Quadrant with planned amenities that include ball fields, soccer fields, picnic areas, tot lots, a skate park, a dog park, restrooms and parking facilities, and an aquatic center. The aquatic center will include a 50-meter competition pool, a 12-lane instructional pool and a therapy pool as well as a water play area. A swimming pool complex was one of the projects approved by the voters through Proposition C in 2002. Construction is scheduled to begin in Fiscal Year 05-06. The park is expected to cost \$12.6 million and the aquatic center is estimated at \$17.9 million.
- 
- The **Carlsbad Municipal Golf Course** is an 18-hole championship golf course on property located north of Palomar Airport Road along College Boulevard. Formal grading is expected to begin in September 2005. The targeted opening is Spring 2007. An additional \$36.8 million is appropriated in this year's CIP for the construction of the course that includes a 23,000 square foot clubhouse.
- 
- The 1st floor area of the existing **Senior Center** will be remodeled to include additional amenities for the senior community. These may include items such as an exercise rooms, art room, TV room, multi-purpose room, game room, health screening room and a computer room. The 2nd floor will be remodeled to house City offices. The estimated cost for the renovation is just under \$1 million.
 - A 20,000 square foot community facility and gymnasium are planned for the **Pine Park Community Center**. The facility will include basketball, volleyball, gymnastics, multi-purpose rooms, meeting rooms, a teen center and office space. Design of this \$7.6 million facility is expected to begin in the 2008-09 fiscal year.
 - Phase II of this 42-acre **Poinsettia Park Community Center** includes amenities such as a community facility/gymnasium, enclosed soccer field, tot lot, picnic areas, tennis complex including a clubhouse and stadium court and additional parking. The total cost is expected to be approximately \$11.6 million. The construction of seven tennis courts are scheduled to begin in 2005-06 and the remainder of the project will be completed in 2009-10.
 - The **Lake Calavera Trails** Construction is scheduled to begin in the next year. The public multi-use, recreational trail system is planned on property located at Lake Calavera in the northeast quadrant of the City. The project expects to use volunteers to construct approximately 2.5 miles of the proposed 5 miles of trails.

CITY OF CARLSBAD BUDGET HIGHLIGHTS

Civic Projects

- Design of a **Public Works Center** and associated improvements is expected to begin in fiscal year 2005-06. It is expected to include offices, shops, a yard, warehouse and parking to accommodate the Public Works department. Initial estimates put the cost at approximately \$22 million.
- With the construction of the City's municipal golf course in the next year, it is necessary to relocate the Police department's shooting range, which is currently located on the golf course property. In addition, there is a need for specialized training facilities for other public safety purposes. The **Safety Training Center** project was authorized under Proposition C, which was approved in 2002. Preliminary design work is underway. The facility may include a fire training tower, residential training prop, outdoor seating pavilion, fire administration building with classroom and storage facilities, in addition to the shooting range.
- The **Library Learning Center** will provide a permanent location for the Adult Learning and the Centro de Información programs. The existing building adjacent to Holiday Park will be remodeled and a second story, approximately 5,000 square feet, will be added for a total cost of \$3.1 million.
- **Fire Station No. 6** is currently located in a temporary facility in the southeast quadrant of Carlsbad. Relocation of this station to a 6,200 square foot permanent facility along the east side of Rancho Santa Fe Road is scheduled to occur concurrent with the road alignment project. Total cost is projected at \$5.4 million. This fire station is required to ensure a five-minute response time within the southeast part of the City as development in that area occurs.



Streets

- The **Faraday Avenue and Melrose Drive Extensions** east of El Camino Real encompasses the extension of Melrose Drive from Palomar Airport Road to the Carlsbad/Vista city limits and the extension of Faraday Avenue from Orion Way to Melrose Drive in Vista. The project will include the reconstruction of a portion of existing Melrose Drive in the City of Vista and the construction of a bridge over the Agua Hedionda Creek along Faraday Avenue. This project is being built by the developers in the area and reimbursed from the proceeds of a bond issue. The formation of a Community Facilities District is underway and will be the mechanism for the issuance and repayment of the debt.
- Work has begun on the construction of the missing link of **College Boulevard** from Cannon Road south to El Camino Real. It includes a 1,200-foot section of Cannon Road east of the College/Cannon intersection. The financing program for this section of road is under discussion and will need to be resolved before construction can begin.
- The **Street overlay** program is ongoing and expected to cost \$3.3 million in the next fiscal year.

CITY OF CARLSBAD BUDGET HIGHLIGHTS

Sewer, Water, and Drainage Facilities

- Reaches 13 to 15 of the **Vista/Carlsbad Interceptor**, extending from the Encina Facility to the Agua Hedionda Lift Station, are scheduled over the next few years. This project is required to handle buildout flows and replace deteriorated pipeline, and is partially funded by the City of Vista.
- Several major **water lines** are scheduled for construction within the next five years including:
 - Cannon Road east of El Camino Real
 - Carlsbad Boulevard – south of Avenida Encinas
 - College Boulevard – various sections
 - Faraday Avenue extension
 - Melrose Drive from Palomar Airport Road to Faraday
- Construction of the **Recycled Water Facility** is complete. This \$45 million project included construction of a four-million-gallons-per-day treatment plant, distribution pipelines, a flow equalization storage facility, and pump stations. Although the construction of the treatment plant is complete, timing of the plant operations is dependent upon completion of Encina's Flow Equalization project. The facility is being tested and should begin operations during fiscal year 2005-06. The pipelines will also be completed by that time, and the pump stations and Mahr Reservoir will become operational around July 2006.



STAFFING

The 2005-06 Operating budget includes 14 new full-time employees: 6 of these are due to the opening of new facilities, 3 are to enhance public safety, 1 will be building and maintaining new trails and 4 are related to a conversion of personnel from hourly to full-time, to improve effectiveness in the Public Works department. The net decrease in hourly staff totaled .46 full-time equivalents (FTE). These changes result in a City workforce of 660 full and three-quarter time employees and 147.47 hourly FTE. The staffing changes in each of the City's programs are discussed more fully in the following sections.

DEBT MANAGEMENT ISSUES

The use of debt has always been a primary issue in the development of the Capital Improvement Program and the policies to implement the Growth Management Program. Over the years, the City has issued millions of dollars of bonds and Certificates of Participation (COPs) to fund streets, buildings, sewer and water facilities, open space acquisitions, and other infrastructure projects. The City is continually evaluating its outstanding debt as well as potential future issues to ensure that interest costs are kept at a minimum and the use of the bond funds is appropriate.

CITY OF CARLSBAD BUDGET HIGHLIGHTS

The following table identifies the debt the City has issued, the outstanding principal, the 2005-06 principal and interest payments, and the scheduled year of payoff.

City of Carlsbad Debt Outstanding					
Bond Name	Repayment Source	Original Bond Issue	Outstanding Principal At 6/30/05	2005/06 Payment P & I	Final Payment FY
1997 Hosp Grove Refunding					
Certificates of Participation	General fund	\$ 6,595,000	\$ 2,740,000	\$ 745,865	2009
1996 Refunding Encina JPA					
Sewer Expansion	Sewer Enterprise	\$11,080,000	\$ 7,305,000	\$ 936,394	2014
1993 Redevelopment					
Tax Allocation Bonds	Redevelopment	\$15,495,000	\$12,460,000	\$1,040,634	2024
Subtotals		\$33,170,000	\$22,505,000	\$2,722,893	
2005 Poinsettia Lane East	Assessment District	\$33,085,000	\$33,085,000	\$1,645,616	2035
2003 College Boulevard–Cannon Rd East	Assessment District	\$11,760,000	\$11,760,000	\$ 836,016	2034
1997 Reassessment District					
College & Alga	Assessment District	\$18,475,000	\$ 6,400,000	\$ 1,387,950	2012
1997 Carlsbad Ranch	Assessment District	\$ 10,175,438	\$ 8,070,000	\$729,690	2023
1998 Rancho Carrillo	Assessment District	\$ 19,600,000	\$ 17,000,000	\$ 1,282,239	2028
Subtotals		\$ 93,095,438	\$76,315,000	\$5,881,511	
Totals		\$ 126,265,438	\$98,820,000	\$8,604,404	

Of the over \$98 million of debt outstanding, only \$2.7 million will be paid back with General fund monies. Annual debt service payments from the General fund average approximately \$750,000. The remaining debt will be repaid from water and sewer revenues and from property owners benefiting from the improvements built with bond proceeds. The City has no obligation to advance funds to the Assessment districts if the property owners do not pay.

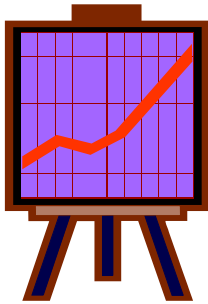
CITY OF CARLSBAD BUDGET HIGHLIGHTS

In addition to the existing issues, the City is considering using debt to fund several new projects. These include the following:

Golf Course Construction: The Council has appropriated funds to build an 18-hole championship golf course on property located north of Palomar Airport Road along College Boulevard. Grading is expected to begin in September 2005. The targeted opening is mid 2007. Funding for the development of the course will be provided through the issuance of tax-exempt bonds and advances from the City's General fund. Bonds will be repaid from revenue generated through the operation of the course with repayment of the advances occurring only after the bonds are retired. The City expects to back the bonds with the full faith and credit of the City's General fund.

New Road Construction: In order to assist in the completion of various major road segments, the City is often asked to form financing districts that will spread the costs of the public improvement over those properties that are benefiting from the improvements and have them paid over a period of time. The City is considering one additional district at this time to fund the construction of Melrose Drive and Faraday Avenue. If the district is approved by the City Council, tax-exempt bonds may be issued for the project over the next year or two. Repayment of the bonds will come solely from the property owners within the Financing Districts. It is not anticipated that the City will have any obligation for the repayment of the bonds from general City funds.

SUMMARY



The City of Carlsbad continues to fare well from an economic viewpoint. It is evident that the planning and foresight by the City Council and residents have provided a sound economic base for the City. The increased job opportunities from the development of the industrial and commercial areas, as well as Carlsbad's reputation as a quality city, are keeping the demand for housing growing, which in turn increases the property tax base. The continued opening and expansion of the commercial ventures enhance Carlsbad's standing as a destination resort and gives it the revenues needed to provide quality services to the citizens and businesses. All of these events add to the diversity and strength of Carlsbad's economic base, which will provide the funding for additional services needed to maintain the quality of life in Carlsbad.

The challenges for the future will revolve around changing from a developing City to a fully built City; it will be about managing costs while continuing to look for appropriate revenue streams sufficient to pay for the services desired by the citizens. This year's budget reflects the anticipated achievement of Council's vision and goals for the City. It allocates the available funding in a manner that proactively plans for the future. This plan will provide top-quality services to all who live, work, and play in Carlsbad.

BUDGET SUMMARY

FISCAL YEAR 2005-06

PROGRAM AREA	PROJECTED BALANCE JULY 1, 2005	ESTIMATED REVENUES	ADOPTED BUDGET	FUND TRANSFERS	PROJECTED BALANCE JUNE 30, 2006
OPERATING BUDGET					
Policy / Leadership Group			\$4,062,276		
Administrative Services			16,275,495		
Public Safety			35,710,424		
Community Development			15,113,534		
Community Services			16,713,397		
Public Works (including utilities)			60,595,932		
Non Departmental & Contingencies			9,900,720		
Golf Course				(21,000,000)	
SUBTOTAL OPERATING	\$134,564,404	\$162,414,382	\$158,371,778	(\$21,000,000)	\$117,607,008
CAPITAL IMPROVEMENT PROGRAM					
Fiscal Year 2005-06	\$320,488,587	\$98,085,066	\$88,696,728	\$21,000,000	\$350,876,925
2004-05 Continuing Appropriations					(139,350,145)
					\$211,526,780
TOTAL OPERATING AND CAPITAL	\$455,052,991	\$260,499,448	\$247,068,506	\$0	\$329,133,788

FISCAL YEAR 2004-05

PROGRAM AREA	PROJECTED BALANCE JULY 1, 2004	ESTIMATED REVENUES	ESTIMATED EXPENDITURES	FUND TRANSFERS	PROJECTED BALANCE JUNE 30, 2005
OPERATING BUDGET					
Policy / Leadership Group			\$3,668,653		
Administrative Services			15,727,734		
Public Safety			33,389,030		
Community Development			15,458,009		
Community Services			14,931,172		
Public Works			54,769,219		
Non Departmental & Contingencies			9,703,400		
SUBTOTAL OPERATING	\$127,804,076	\$159,742,336	\$147,647,217	\$0	\$134,564,404
CAPITAL IMPROVEMENT PROGRAM					
Fiscal Year 2004-05	\$311,542,902	\$99,309,316	\$90,363,631		\$320,488,587
TOTAL OPERATING AND CAPITAL	439,346,978	259,051,652	238,010,848	\$0	\$ 455,052,991

PERSONNEL ALLOCATIONS FOR 2004-05 AND 2005-06

MAJOR SERVICE AREA	FINAL BUDGET 2003-04	FINAL BUDGET 2004-05	PRELIMINARY BUDGET 2005-06	2005-06 REQUESTED CHANGES
POLICY AND LEADERSHIP GROUP				
CITY COUNCIL	1.00	1.00	1.00	0.00
CITY MANAGER	6.00	6.00	6.00	0.00
COMMUNICATIONS	2.75	2.75	2.75	0.00
CITY TREASURER	0.75	0.75	0.75	0.00
CITY CLERK	0.00	0.00	0.00	0.00
CITY ATTORNEY	7.00	7.00	7.00	0.00
ADMINISTRATIVE SERVICES				
ADMINISTRATION	2.00	2.00	2.00	0.00
RECORDS MANAGEMENT	8.00	8.00	8.00	0.00
INFORMATION TECHNOLOGY	16.00	16.00	16.00	0.00
FINANCE	28.00	28.00	27.00	(1.00)
RISK MANAGEMENT	2.00	2.00	2.00	0.00
HUMAN RESOURCES & WORKERS COMP	10.00	10.00	10.00	0.00
PUBLIC SAFETY				
POLICE	148.00	148.00	151.00	3.00
FIRE	79.75	79.75	79.75	0.00
COMMUNITY DEVELOPMENT				
COMMUNITY DEVELOPMENT ADMINISTRATION	3.00	3.00	4.00	1.00
BUILDING & CODE ENFORCEMENT	13.00	13.00	13.00	0.00
ECONOMIC DEVELOPMENT & REAL PROPERTY MGMT	1.00	1.00	1.00	0.00
GEOGRAPHIC INFORMATION SYSTEMS	2.00	2.00	2.00	0.00
PLANNING	25.00	25.00	24.00	(1.00)
HOUSING AND REDEVELOPMENT	10.00	10.00	10.00	0.00
COMMUNITY SERVICES				
LIBRARY	48.00	48.00	48.00	0.00
CULTURAL ARTS	5.00	5.00	5.00	0.00
RECREATION & SENIOR PROGRAMS	33.00	32.50	32.50	0.00
PUBLIC WORKS				
ADMINISTRATION & ENVIRONMENTAL PROGRAMS	6.00	14.20	14.20	0.00
ENGINEERING SERVICES	57.00	51.10	51.60	0.50
GENERAL SERVICES	58.75	82.85	91.95	9.10
MAINTENANCE & OPERATIONS	73.00	47.10	49.50	2.40
FULL AND 3/4 TIME LABOR FORCE	646.00	646.00	660.00	14.00

PERSONNEL ALLOCATIONS FOR 2004-05 AND 2005-06 (Continued)

SUMMARY OF REQUESTED LABOR FORCE BY CATEGORY				
	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>Difference</u>
Full Time Personnel	640.00	640.00	654.00	14.00
3/4 Time Personnel in Full Time Equivalents	6.00	6.00	6.00	0.00
Hourly Full Time Equivalent Personnel	148.27	147.93	147.47	(0.46)
TOTAL LABOR FORCE	794.27	793.93	807.47	13.54

LIMITED TERM EMPLOYEES				
	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>Difference</u>
Management Interns	2.00	1.50	1.50	0.00
Legal Intern	0.00	0.00	0.50	0.50
Building Inspector Intern	2.00	2.00	0.00	(2.00)
Division Chief Overstaff	1.00	0.00	0.00	0.00
Building Inspector Limited Term	0.00	0.00	2.00	2.00
GIS Intern	0.50	0.50	0.50	0.00
Planning Technician Intern	1.00	1.00	1.00	0.00
TOTAL LIMITED TERM EMPLOYEES	6.50	5.00	5.50	0.50

2005-06 BUDGET CALENDAR

DECEMBER	<ul style="list-style-type: none">• Request Capital Project (CIP) submittals• Set budget policies
JANUARY	<ul style="list-style-type: none">• Operating revenue is projected for the General fund• Operating budget manual is distributed to departments• Budget preparer's meeting• Growth projections completed
FEBRUARY	<ul style="list-style-type: none">• Departments submit CIP requests to Engineering• CIP analysis• Draft CIP is submitted to department heads
MARCH	<ul style="list-style-type: none">• Leadership Team (LT) reviews CIP• Departments submit operating budget requests to Finance• Finance department analyzes and compiles the operating budget submittals
APRIL	<ul style="list-style-type: none">• LT reviews operating budget
MAY	<ul style="list-style-type: none">• Preliminary operating budget is sent to the printer• CIP Budget Workshop: May 17 Council meeting
JUNE	<ul style="list-style-type: none">• Operating Budget Workshop: June 7 Council meeting• Citizens Budget Workshop: June 15• Council adopts final budget including: Operating budget, Capital Improvement Program, and Annual Spending Limitation: June 21 Council meeting

Operating Budget * CIP



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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**City of Carlsbad
California**

For the Fiscal Year Beginning

July 1, 2004

Nancy L. Ziehl
President

Jeffrey R. Egan
Executive Director

The City of Carlsbad was recognized by the Government Finance Officers Association (GFOA) for Excellence in Operational Budgeting for fiscal year 2004-05. The purpose of this award is to set a high standard of professionalism, which will enhance the audiences' understanding of the mechanics of local government and special districts and to continue to enhance the budget and its process.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to CSMFO to determine its eligibility for an award for our 2005-06 budget.